

**REPORT OF THE AUDIT OF THE  
BOYLE COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
April 26, 2008 Through April 15, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BOYLE COUNTY**  
**SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period**  
**April 26, 2008 Through April 15, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Boyle County Sheriff for the period April 26, 2008 through April 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$12,660,040 for the districts for 2008 taxes, retaining commissions of \$435,166 to operate the Sheriff's office. The Sheriff distributed taxes of \$12,207,700 to the districts for 2008 taxes. Taxes of \$15,514 are due to the districts from the Sheriff.

**Report Comment:**

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold McKinney, Boyle County Judge/Executive

Honorable LeeRoy Hardin, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the Boyle County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009. This tax settlement is the responsibility of the Boyle County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boyle County Sheriff's taxes charged, credited, and paid for the period April 26, 2008 through April 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold McKinney, Boyle County Judge/Executive

Honorable LeeRoy Hardin, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen

Auditor of Public Accounts

November 12, 2009



BOYLE COUNTY  
LEEROY HARDIN, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period April 26, 2008 Through April 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 804,977	\$ 3,468,032	\$ 4,127,430	\$ 1,888,599
Tangible Personal Property	109,591	620,716	364,612	957,335
Intangible Personal Property		135,073		82
Fire Protection	295			
Increases Through Exonerations	4,821	38,378	149	23,770
Franchise Taxes	67,808	327,055	322,111	
Additional Billings	78	296	703	182
Limestone, Sand and Mineral Reserves	61	280	767	142
Penalties	3,657	15,191	17,814	8,974
Adjusted to Sheriff's Receipt	(5)	2	(6)	(5)
Gross Chargeable to Sheriff	991,283	4,605,023	4,833,580	2,879,079
<u>Credits</u>				
Exonerations	8,037	43,707	55,666	6,536
Discounts	14,683	69,097	72,273	48,000
Delinquents:				
Real Estate	16,436	70,406	73,510	38,551
Tangible Personal Property	1,168	6,925	2,096	8,285
Franchise Taxes	10,533	52,392	50,624	
Total Credits	50,857	242,527	254,169	101,372
Taxes Collected	940,426	4,362,496	4,579,411	2,777,707
Less: Commissions *	40,256	139,135	137,435	118,340
Taxes Due	900,170	4,223,361	4,441,976	2,659,367
Taxes Paid	898,499	4,213,135	4,437,194	2,658,872
Penalties Due To State				17
Refunds (Current and Prior Year)	140	542	670	325
Due Districts as of		**		
Completion of Audit	\$ 1,531	\$ 9,684	\$ 4,112	\$ 187

The accompanying notes are an integral part of this financial statement.

BOYLE COUNTY  
 LEEROY HARDIN, SHERIFF  
 SHERIFF'S SETTLEMENT - 2008 TAXES  
 For The Period April 26, 2008 Through April 15, 2009  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	6,099,462
3% on	\$	4,575,201
2.25% on	\$	1,434,321
1% on	\$	541,056

\*\* Special Taxing Districts:

Library District	\$	2,772
Health District		844
Extension District		1,891
Fire District		2,174
City of Danville		<u>2,003</u>
Due Districts	\$	<u><u>9,684</u></u>

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Boyle County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Boyle County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2008 through April 15, 2009.

Note 4. Interest Income

The Boyle County Sheriff earned \$8,843 as interest income on 2008 taxes. As of November 12, 2009, the Sheriff owed \$3,103 in interest to the school districts and \$5,740 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Boyle County Sheriff collected \$13,360 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of November 12, 2009, the Sheriff owed \$12,745 in 10% add-on fees to his fee account.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff had unrefundable duplicate payments and unexplained receipts in his 2008 tax account totaling \$33,148. The Sheriff should place this balance in an escrow account and file a report with the Kentucky State Treasurer. KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive  
Honorable LeeRoy Hardin, Boyle County Sheriff  
Members of the Boyle County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Boyle County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, and have issued our report thereon dated November 12, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Boyle County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

This report is intended solely for the information and use of management, the Boyle County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

November 12, 2009



COMMENT AND RECOMMENDATION



BOYLE COUNTY  
LEEROY HARDIN, SHERIFF  
COMMENT AND RECOMMENDATION

For The Period April 26, 2008 Through April 15, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly “that part of his investment earnings for the month which is attributable to the investments of school taxes.” The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff’s fee account. During 2008 tax collections, the Sheriff earned interest of \$8,843 on his tax account. However, the Sheriff did not pay the interest to the Boards of Education or the fee account on a monthly basis. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the schools and fee account on a monthly basis.

*Sheriff’s response: None.*

